

**ASSEMBLY BILL**

**No. 2456**

**Introduced by Assembly Member Wright**  
(Coauthor: Senator Alarcon)

February 24, 2000

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An act to add Chapter 38 (commencing with Section 24980) to Part 13 of Division 1 of Title 1 of the Education Code, relating to state teachers' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 2456, as introduced, R. Wright. State teachers' retirement: deferred retirement option program.

The State Teachers' Retirement Law prescribes service and disability retirement benefits for members of the Defined Benefit Program of the State Teachers' Retirement System.

This bill would establish the Deferred Retirement Option Program as a supplemental benefit program in the Defined Benefit Program, as specified. The bill would direct the board of administration of the system to implement the program no later than January 1, 2002, except as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Chapter 38 (commencing with Section  
2 24980) is added to Part 13 of Division 1 of Title 1 of the  
3 Education Code, to read:  
4

## 1 CHAPTER 38. DEFERRED RETIREMENT OPTION PROGRAM

2  
3 Article 1. General Provisions  
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5 24980. This chapter shall be known and may be cited  
6 as the “Deferred Retirement Option Program.”

7 24980.1. The Deferred Retirement Option Program is  
8 hereby created to add flexibility to the system. It provides  
9 members who elect to participate in the program access  
10 to a lump sum or additional monthly payments for a  
11 specific period in addition to their normal monthly  
12 retirement allowance.

13 24980.2. The design and administration of the  
14 Deferred Retirement Option Program shall conform  
15 with the applicable provisions of Title 26 of the United  
16 States Code and the Revenue and Taxation Code.

17 24980.3. If any provision of this chapter or application  
18 thereof to any person or circumstance is held invalid, that  
19 invalidity shall not affect other provisions or applications  
20 of this chapter that can be given effect without the invalid  
21 provision or application, and to this end the provisions of  
22 this chapter are severable.

23 24980.4. The board shall implement the Deferred  
24 Retirement Option Program pursuant to the provisions  
25 of this chapter no later than January 1, 2002, unless the  
26 board determines, by resolution, that the  
27 implementation tasks cannot be completed until a later  
28 date, in which case the board shall implement the  
29 program pursuant to this chapter no later than January 1,  
30 2003.

31 24980.5. The board may adopt regulations to  
32 implement the program.

33  
34 Article 2. Definitions  
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36 24982.1. “Program” means the Deferred Retirement  
37 Option Program established by this chapter.

38 24982.2. “Deferred retirement calculation date”  
39 means the date 36 months prior to the member’s actual  
40 retirement date as of which the allowance under the

1 program shall be calculated as provided in Chapter 26  
2 (commencing with Section 24100) of this part or Chapter  
3 27 (commencing with Section 24201) of this part.

4 24982.3. "Program payment" means the amount to be  
5 paid to the member as a result of his or her participation  
6 in the program, as calculated in Section 24984.

7  
8 Article 3. Eligibility  
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10 24983.1. A member shall be eligible to elect to  
11 participate in the program at any time after having met  
12 the minimum service requirements applicable for a  
13 service retirement and reached normal retirement age.

14 24983.2. A member who elects to participate in the  
15 program shall:

16 (a) Make this election on a form prescribed and  
17 retained by the board prior to retirement.

18 (b) Designate his or her deferred retirement  
19 calculation date, which date shall be equal to 36 months  
20 prior to the member's actual date of retirement and shall  
21 be subsequent to the date on which the member met the  
22 minimum service requirements for a service retirement  
23 and achieved normal retirement age.

24 (c) Receive benefits from the system upon retirement  
25 at the time and in the manner provided in this chapter.

26 24983.3. The election to participate in the program  
27 shall be irrevocable.

28 24983.4. Members who participate in the program  
29 may not participate in the reduced worktime program, as  
30 provided in Section 22713.

31 24983.5. Members who participate in the program  
32 and reinstate from retirement shall not be eligible to  
33 again participate in the program upon subsequent  
34 retirement.

35  
36 Article 4. Calculation of Benefits  
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38 24984. Upon the termination of employment and  
39 retirement of a member who has elected to participate in

1 the program, the system shall calculate the following  
2 amounts:

3 (a) (1) The member's monthly service retirement  
4 allowance as it would have been had the member retired  
5 on the deferred retirement calculation date in  
6 accordance with the optional settlement selected by the  
7 member; or

8 (2) The amount of service used to calculate a disability  
9 retirement allowance shall be reduced by the deferred  
10 retirement period.

11 (b) The benefit improvement factors that would have  
12 been applicable under Section 24402, assuming the  
13 deferred retirement calculation date is the base year for  
14 the adjustment.

15 (c) The member's program payment, which payment  
16 shall be the amount calculated under subdivision (a),  
17 multiplied by 36, plus the benefit improvement factor  
18 calculated under subdivision (b). The program payment  
19 shall be credited with interest.

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#### 21 Article 5. Distributions

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23 24985.1. Upon the termination of employment and  
24 retirement under the system, a member who has elected  
25 to participate in the program shall:

26 (a) Receive the member's program payment, as  
27 calculated pursuant to subdivision (c) of Section 24984.

28 (b) Begin receiving a monthly retirement allowance  
29 in the amount calculated pursuant to subdivision (a) of  
30 Section 24984.

31 24985.2. The member shall select one of the following  
32 as the form of distribution of the member's program  
33 payment:

34 (a) A single lump-sum payment.

35 (b) Installment payments for a period of years  
36 pursuant to Section 24985.3.

37 24985.3. (a) The member may elect to receive the  
38 actuarial equivalent of the program payment in monthly  
39 installments over a period established by the board.



1 (b) The unpaid balance of the member's program  
2 payment shall be credited with interest.

3 (c) No benefit maintenance payment pursuant to  
4 Chapter 29 (commencing with Section 24400) of this part  
5 shall be made to the monthly amount being paid pursuant  
6 to this section.

7 24985.4. Notwithstanding any other provision of this  
8 chapter, a member, nonmember spouse, or beneficiary  
9 shall not be permitted to elect a distribution under this  
10 chapter that does not satisfy the requirements of Section  
11 401(a)(9) of Title 26 of the United States Code, including  
12 the incidental death benefit requirements of Section  
13 401(a)(9)(G) of Title 26 of the United States Code and  
14 the regulations thereunder. The required beginning date  
15 of distributions that reflect the entire interest of the  
16 member shall be as follows:

17 (a) In the case of a lump-sum distribution to the  
18 member, the lump-sum payment shall be made not later  
19 than April 1 of the calendar year following the later of the  
20 calendar year in which the member attains the age of 70  
21 and one-half years or the calendar year in which the  
22 member terminates all employment for the employer.

23 (b) In the case of a distribution to the member in the  
24 form of installment payments, payment shall begin not  
25 later than April 1 of the calendar year following the later  
26 of the calendar year in which the member attains the age  
27 of 70 and one-half years or the calendar year in which the  
28 member terminates all employment subject to coverage  
29 by the plan.

30 (c) In the case of a benefit payable on account of the  
31 member's death, distributions shall be paid no later than  
32 December 31 of the calendar year in which the fifth  
33 anniversary of the member's date of death occurs unless  
34 the beneficiary is the member's spouse in which case  
35 distributions shall commence on or before the later of  
36 either:

37 (1) December 31 of the calendar year immediately  
38 following the calendar year in which the member dies.

1 (2) December 31 of the calendar year in which the  
2 member would have attained the age of 70 and one-half  
3 years.

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Article 6. Beneficiaries

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7 24986. The beneficiary or beneficiaries entitled to  
8 receive any remaining balance of the monthly  
9 installments specified in Section 24985.3 shall be the same  
10 beneficiary or beneficiaries designated by the member to  
11 receive the postretirement death benefit provided by  
12 Chapter 24 (commencing with Section 23880) of this part.

